

IPO Note

Issue Detail	
Type	100% Book Building
Issue Size	Rs. 700 Crore
Offer Price	*Rs (660-670)/Equity Share
Min App Size	22 Shares
Issue Open	26-Apr-17
Issue Close	28-Apr-17
Shares Offer	1.05 Cr.
Face Value	Rs 5
Lead Mgrs	JM Financial Institutional Securities Ltd , Axis Capital Ltd , Credit Suisse Securities (India) Pvt Ltd
Listing	BSE, NSE
Registrar	Link Intime India Pvt Ltd
Market Cap (Post Issue)	2304.1

No of shares (Post & Pre Issue)	
No of Shares (Pre Issue)	298,44,496
Offer for Sale	60,23,236
Fresh Issue made	4545455
No of Shares (Post Issue)	34389951

Bid allocation pattern	
QIB	50%
Non-Institutional	15%
Retail	35%

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Company Overview

S Chand And Company Limited was incorporated in 1970 which operates as an education content company in India. The company develops and delivers content, solutions, and services in the education K-12, higher education, and early learning segments

Company is involved in publishing, printing, sale, purchase, export, and import of various books and other literary work; agency ship and distribution of publishers for books and other literary work; selling of educational toys; and publishing books for children, schools, colleges, and universities, as well as digital content and interactive learning systems to schools and running pre-schools.

The company also provides digital data management services and digital content books to schools and colleges; solutions for higher education in colleges, universities, and technical institutes; and DTP printing, DTP jobs, page making, editing and proof reading, and cover designing services of books, journals, tabloids, magazines, bulletins, brochures, and periodicals in the form of hard copy, compact disks, and e-forms. S Chand And Company Ltd offers 53 consumer brands across knowledge products and services including S.chand, Vikas, Madhubun, Saraswati, Destination Success and Ignitor. The company also exports its printed and digital content to Asia, the Middle East, Africa, and internationally.

Company Strategies

> Company has strong presence in the CBSE/ICSE affiliated schools and increasing presence in the state board affiliated schools across India. It works closely with the educators and authors, and regularly integrates feedback received from authors, educators and students Company Comprehensive consumer focused education content player with touch points across education lifecycle

> Company has Strong integrated in-house printing and logistic capabilities . The printing capacity was enhanced from 15 tons to 55 ton paper per day from in FY 14 to FY16. By integrating and expanding the printing capabilities, they reduced dependence on third-party vendors, thereby achieving cost savings and operational efficiencies.

> Company has Pan-India sales and distribution network which driving deep market reach. They sold their content in 29 states and 7 union territories through their distribution channels. Its acquisition of NSHPL enhanced its distribution network in southern India, and acquisition of VPHPL added to its distribution network in north India

> Company Focused digital and technology platform . The digital offerings are focused on supplementing our existing strengths in the K-12 and higher education businesses.

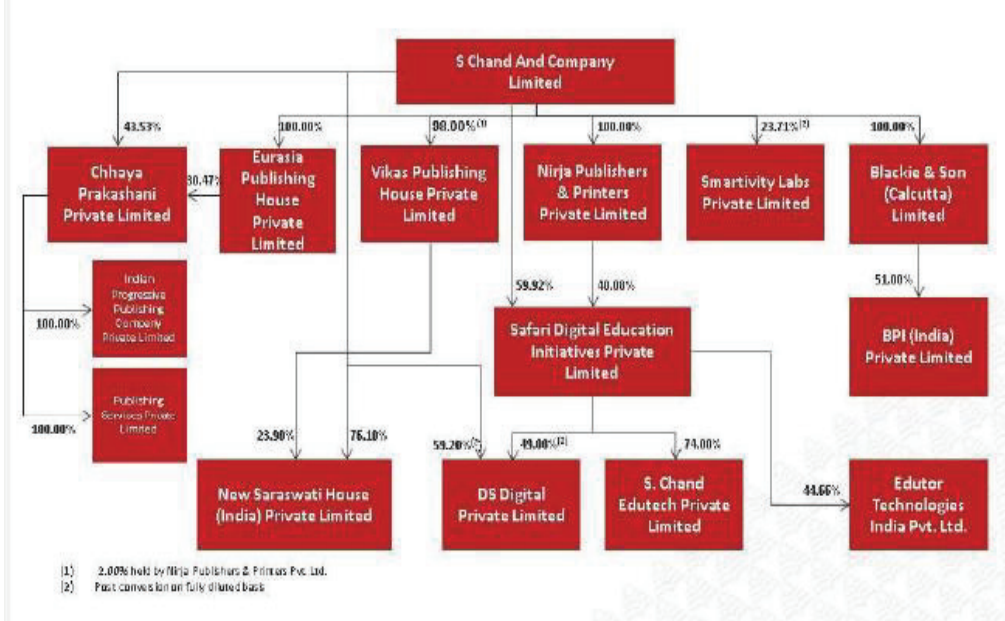
Objects of the Issue:

Particulars
Repayment of loans availed by the Company and one of their Subsidiaries, EPHL, which were utilized towards funding the acquisition of Chhaya
Repayment/prepayment in full or in part, of certain loans availed of by the Company and their Subsidiaries, VPHPL and NSHPL
General corporate purpose

Recommendation

S Chand and Company is raising funds to retire its debts in its subsidiaries . The company is being offered at post IPO valuations of 2.3 times P/b and Return on Equity of 5.5% while its comparable peer Navneet Education Limited is being traded at 5times P/b and has return on Equity of 20%. We recommend AVOID.

S Chand Organization Structure



Competitive Risks

- > The high degree of seasonality of our K-12 business materially affects operating revenue, margins and cash flow from quarter to quarter. Company business and the newly acquired business of Chhaya is linked to the academic cycle. Chhaya’s sales season has traditionally been across first and fourth quarters of the financial year with the main sales season starting in December. The the working capital cycle for print content in the CBSE/ICSE K-12 education industry tends to be unduly high at the fiscal year end on account of high sales in the last quarter
- > Company operate in a highly-competitive and fragmented industry, and our business, results of operations and financial condition may be adversely affected if we are not able to compete effectively.
- > For the past two years, CBSE has issued an advisory circular advising CBSE schools to use only NCERT print content for all classes and may issue similar advisory circulars in the future. These circulars may reduce demand for its educational content amongst the CBSE affiliated schools and, accordingly, may adversely affect its business, results of operations, cash flows and financial condition.
- > A significant portion of the company’s revenues are derived from titles of its top authors. The loss of all or any of its top authors could adversely affect its business, results of operation, cash flows and financial condition.

S CHAND AND COMPANY LIMITED

Financials Snap Shot

INCOME STATEMENT					RATIOS				
	31 March 2014	31 March	31 March 2016	31 Dec 2016		31 March 2014	31 March	31 March	
Revenue (Net)	370.0	476.7	537.8	149.5	EPS	12.2	9.8	14.1	
Other Income	0.9	1.8	2.9	1.3	Book Value Per share	6.0	6.7	9.7	
Total Revenue	371.0	478.5	540.6	150.8	Valuation(x)				
Raw materials Cost	149.2	178.2	175.7	98.7	P/E (Upper Band)	54.7	68.2	47.4	
Purchase and implementation	0.3	1.7	4.9	3.7	P/E (Lower Band)	53.9	67.1	46.7	
Publication expenses	42.3	48.2	50.3	22.3	Price / Book Value	112.6	100.4	69.3	
inventories of finished goods,	-13.8	-24.3	-27.9	-68.1	EV	2337	2463	2438	
Selling and distribution expens	34.4	45.6	52.7	40.6	EV/Sales	6.3	5.2	4.5	
Employee benefit expenses	52.7	80.3	94.2	83.6	EV/EBITDA	8.0	6.6	5.9	
Other expenses	26.2	44.7	62.6	53.5	Profitability Ratios				
Total Expenses	291.2	374.5	412.4	234.4	RoE	11%	8%	8%	
EBITDA	79.8	104.0	128.2	-83.6	RoCE	18%	20%	17%	
Depreciation	12.3	22.5	25.9	20.3	Liquidity Ratios				
EBIT	67.5	81.5	102.3	-103.8	Net Debt/Equity	0.043	0.285	0.113	
Finance Costs	9.5	28.3	30.6	22.7	Interest Coverage Ratio	6.5	4.6	4.9	
Profit before Tax	58.0	53.2	71.7	-126.6	Current Ratio	1.86	1.75	1.87	
Total Tax	16.0	19.5	23.3	-39.5					
PROFIT AFTER TAX	42.0	33.7	48.4	-87.0					
	31 March 2014	31 March	31 March 2016	31 Dec 2016		31 March 2014	31 March	31 March	31 Dec 2016
Share Capital	0.2	0.2	0.2	14.9	Net Profit/(loss) before tax	58.6	53.7	72.7	(126.3)
Reserves	367.5	394.1	599.0	494.2	Adjustments for:				
Minority Interest	3.0	21.5	3.1	8.8	Depreciation and Amortisation	12.3	22.5	25.9	20.3
Net Worth	370.8	415.9	602.3	518.0	Interest expense	9.1	27.4	29.3	20.5
Long-term borrowings	16.0	118.5	67.9	59.5	Amortisation of ancillary borrowing cost	0.0	0.5	0.6	1.8
Trade payables	0.0	0.2	0.9	1.3	Interest income	(0.6)	(0.4)	(0.9)	(0.2)
Other non-current liabilities	0.3	0.3	0.1	0.0	Loss/(profit) on sale of fixed assets	(0.1)	0.0	0.2	0.5
Long-term provisions	2.1	4.6	5.0	7.0	Loss/(profit) on sale of investments	(0.1)	(0.0)	(1.7)	(1.4)
Non - current liabilities	389.1	539.5	676.2	585.7	Provision for sales return	0.0	1.6	4.6	0.0
Short-term borrowings	69.5	96.5	125.8	183.1	Employee stock options expense	0.0	0.0	0.5	0.9
Trade payables	99.2	135.8	151.1	140.1	Provision for bad debts and advances	1.9	1.0	4.6	6.8
Other current liabilities	14.9	40.9	23.2	200.0	Operating profit before working capital	81.2	106.2	135.7	(77.2)
Short-term provisions	4.3	13.3	17.2	31.0	Movements in working capital				
Current liabilities	187.9	286.5	317.3	554.1	(Increase)/ decrease in loans and advance	30.3	1.7	(5.7)	(10.8)
Total Liabilities	576.9	826.0	993.5	1139.9	(Increase)/ decrease in trade receivables	(59.2)	(113.5)	(59.7)	195.3
Fixed assets	197.5	278.9	337.4	492.9	(Increase)/ decrease in inventories	(23.9)	(36.0)	(20.1)	(110.8)
Non Current Investments	7.4	13.0	25.4	25.4	Decrease in other assets	0.0	(0.0)	0.0	(0.0)
Deferred tax assets	5.4	10.4	12.4	56.3	Increase/ (decrease) in provisions	0.5	11.7	(10.2)	(2.2)
Loans and advances	15.9	18.7	17.8	25.8	Increase/ (decrease) in trade payables	32.3	36.9	16.0	(10.6)
Other non-current assets	1.7	2.3	3.3	1.2	Increase/ (decrease) in other liabilities	1.1	4.4	(0.5)	10.2
Non-current assets	227.8	323.4	396.2	601.7	Cash flows from operations	62.2	11.4	55.5	(6.0)
Current investments	0.6	4.7	16.4	4.3	Direct taxes paid (net of refunds)	19.8	29.3	18.0	28.5
Inventories	83.9	119.7	139.8	250.6	Net cash flows from operating activities	(39.5)	(101.6)	(136.1)	(159.4)
Trade receivables	230.9	341.7	395.1	195.6	Cash flows from investing activities	0.5	122.7	100.9	190.7
Cash and bank balances	17.6	21.3	24.4	24.4	Net cash generated financing activities	5.1	1227.1	1009.3	1906.7
Short-term loans	16.0	13.2	18.5	62.4	Net in cash and cash equivalents	(33.9)	1248.2	974.1	1937.9
Current assets	349.0	500.7	594.2	537.4	Cash & cash equivalents at the beginning	13.6	17.4	20.9	23.8
TOTAL Assets	576.8	824.1	990.4	1139.1	Cash & cash equivalents at the end of Ye:	(20.2)	1265.6	995.1	1961.8